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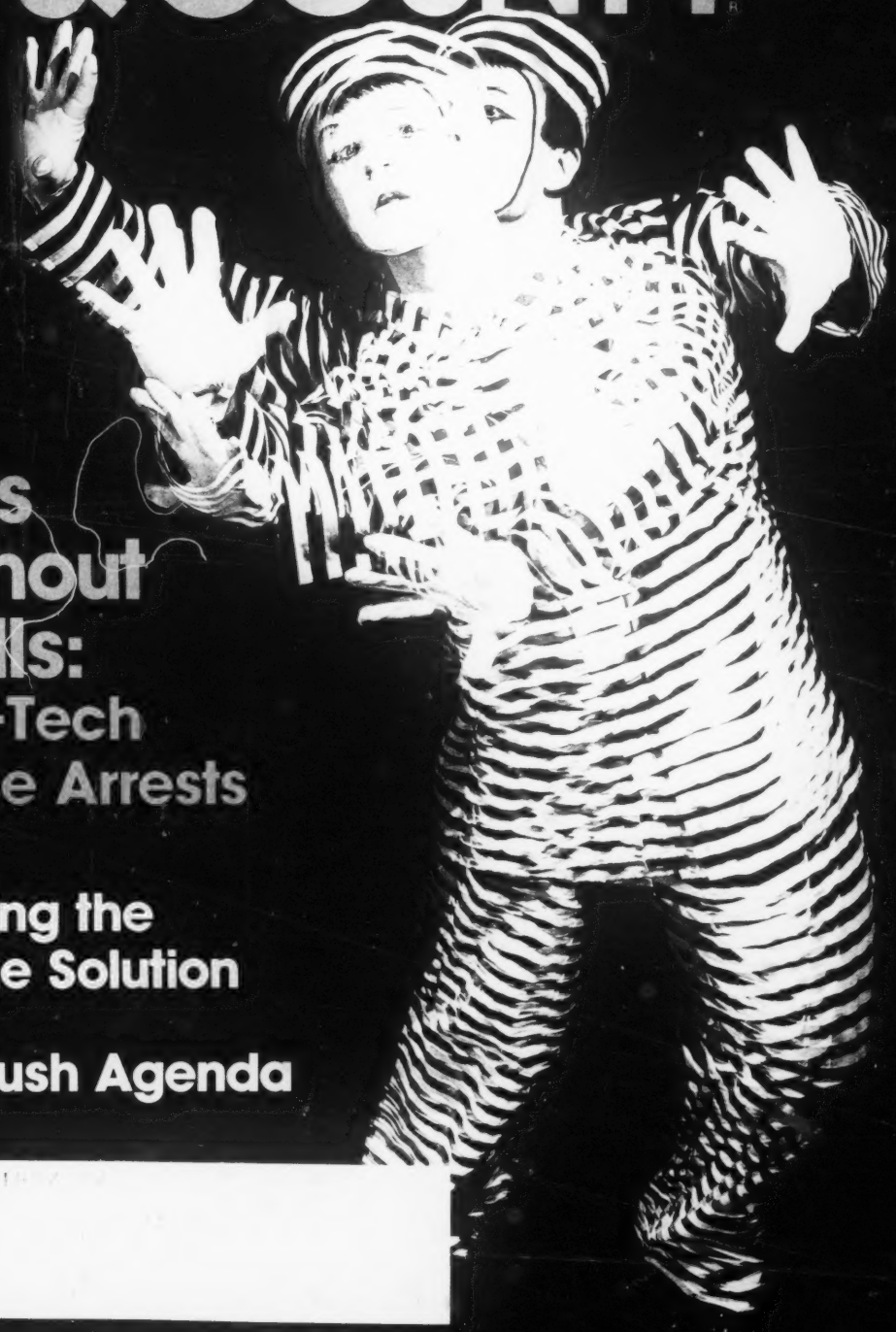

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AMERICAN CITY & COUNTY®

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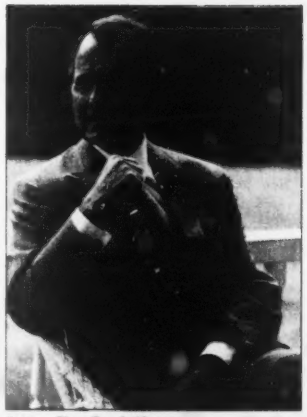

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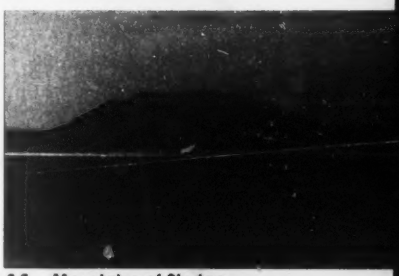

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A Year of Dialogue?

All signs point to 1989 being the year of dialogue, fence mending, wooing and creating an urban agenda. Associate Editor Dan Treadaway, after interviewing local leaders across the nation, concludes President-elect George Bush will have his hands full mending fences with local leaders, many of whom were embittered with the hand President Reagan dealt them during his eight years in office.

But Bush seems anxious to sit down with local leaders, and those leaders themselves already are lining up the chairs.

Bush, in a letter to the National League of Cities (NLC) after his election, said he wants to set up an ongoing Presidential Task Force on Urban Affairs to devise strategies for the "urban agenda."

But even before voters had pushed the Bush button, the NLC's new president, Phoenix Mayor Terry Goddard, was thinking urban agendas, dialogue and wooing. In last month's issue, Goddard told *American City & County* his highest priority as NLC president would be "working on an urban agenda that's realistic and viable and selling it to the next administration." He also advocated a continuous dialogue among American municipalities, which collectively could have "an incredible amount of clout."

Goddard is in the perfect position to set up the meeting chairs for Bush's task force and he has quite an impressive track record in making people sit down, talk about their problems and map out their dreams and schemes.

Goddard's associates say the hallmark of his administration has been getting hundreds of citizens to participate in city government. He holds a weekly open forum for people to "come and talk about whatever is on their minds." He also has started the Phoenix Futures Forum, which involves people coming together and planning city goals for the next 20 years. Goddard wants to do the same kind of coalition-building at the national level.

County Commissioner D. Michael Stewart of Salt Lake County, Utah, says the most significant thing Bush can do for local leaders is make them believe that they are more than special interest lobbyists and that they have a role in decision-making. Perhaps Bush's task force can do that. Bush is a man who likes to get a wide range of input before making decisions, and that has to be encouraging.

The tone of many local leaders contemplating what lies ahead under Bush was decidedly negative. Many believe Bush will be a continuation of Reagan, but with a "kinder, gentler" bent. The best these local leaders can hope for, they say, is that things won't get worse for American cities and counties during the Bush years. While not a very upbeat attitude, that seems to be the extent of the optimism. Local leaders have lowered their expectations. They believe they have paid their dues to the national debt and that no more will be taken out of their hides. But that is about as good as they expect it will get.

Even Bush supporters only offer that he may be more willing to listen to local government woes, and more sympathetic. Some problems, such as meeting expensive federal regulations and mandates, may ease during his administration, they say, and he may tone down what has been referred to as "fend-for-yourself federalism." And they don't expect him to sack any more of their programs.

Yet even those who are pleased that Bush will sit in the Oval Office rather than Massachusetts Gov. Michael Dukakis cannot muster up enthusiasm and optimism. Says James Snyder, president of the National Association of Counties, "The devil I know is better than the devil I don't know."

While Bush may be carrying some Reagan baggage, reiterating his "no new taxes" campaign theme, thinking down the road to election 1992 and thus far offering no startling new solutions to old problems, he does have a clean slate. And there is no telling what he will write on it. Perhaps we should increase our expectations and go forcefully forward into the year of dialogue, communicating high hopes for something better than a kinder, gentler "more of the same." □

—Janette Mitchell

State Loan Programs Undergo Change

By Kim Beury

State and city officials welcome the state revolving loan fund program (SRF) to help municipalities pay for water treatment facilities. Local officials support the change in federal assistance and the idea of a state-operated loan program. They prefer money recycling in a loan fund for continuous construction rather than a one-time use.

Some municipalities had difficulty with complex application requirements that prevented many cities from qualifying for U.S. Environmental Protection Agency (EPA) Title 11 construction grants. But similar difficulties surfaced in the SRF plan when EPA awarded the first 12 grants in 1988 to states to set up their own programs. Some communities are finding strings attached to the federal money, and that SRF loans are just as difficult to get as federal construction grants and more expensive than a traditional bank loan.

The problems evolve from requirements attached to first use of a capitalization grant.

"When I saw the requirements, I was just dismayed," says an Arkansas wastewater manager who found getting a $250,000 bank loan to upgrade a wastewater facility was easier and less expensive than going through the loan program.

"If you took the old construction grants program and changed it to a revolving loan fund, the paper work and restrictions are identical," he says. "We couldn't apply to the grants program because of restrictions, and now we can't apply for the state loan."

Revolving loan applicants must submit plans proving that proposed projects are the most cost effective and use the best technology available, which are the same requirements they faced in applying for Title 11 construction grants.

Through the 1987 Clean Drinking Water Act amendments, the federal government aims for states to fund wastewater programs through state loan funds rather than traditional federal construction grants.

Congress authorized $18 billion to continue the construction grants program through 1990 and the SRF program through 1994. A state receiving a federal grant puts at least a 20 percent match into the revolving loan fund. The capitalization grant and the state provide seed money for the SRF.

After a state establishes its loan program, usually with interest rates lower than market level, SRF managers issue loans to localities. Communities must repay the loans within 20 years. Repayments keep money recycling in the fund for years.

When EPA issued SRF guidance, local officials criticized the letter of credit form of the capitalization grants, wondering if the promised cash would be available and if drawing on credit would slow construction.

The two states, Georgia and Texas, that have drawn on letters of credit report no major problems. But states meet other challenges as the revolving loan operation begins, and some wonder if they will get a chance to issue loans on that letter.

New Mexico adopted an SRF in 1986. But David Hanna, chief of the construction grants and loan section of the state Water Quality Bureau, says Title 11 requirements prevented issuing any loans.

"We've been in operation for over a year and haven't been able to make any loan," he says, and wonders "if all those extra burdens aren't too heavy for a loan program, and if the application and project planning requirements are just too expensive."

Tracey Eagle, a loan fund manager in Arkansas, says, "The program is really great in theory, but when you get it down on paper, it's extremely expensive. Even though we have low rates (4 and 6 percent interest) . . . the requirements make communities spend more money so that in the end they actually would be getting their facilities built faster by going to a regular lending institution.

"People were really excited about the loan program. Then we saw all the requirements, and we were not only surprised, but sickened. The program is definitely going to work," she says, "but it's very difficult in the beginning to get people sold on the idea because of the expense of it."

She concedes some of the requirements will force cities to spend borrowed money more frugally than grant money and prevent fraud and waste. "But the problem is, there already are a lot of checks and balances in this program without imposing Title 11 requirements," she says. "It's really silly because it's too expensive and totally goes against the theory of the Clean Water Act, which is to get water cleaned."

Richard Kuhlman, chief of EPA's water policy development section, says Title 11 requirements apply to first use of SRF funding. He says following those requirements is just part of the phaseout from Title 11 construction grants to the loan fund.

But Texas' revolving loan fund manager Jack Fickessen says no Title 11 requirements are necessary in a loan program.

Texas has issued five loans from the $105.2 million EPA award for its SRF. He says most loan applicants have met Title 11 requirements previously in seeking earlier federal construction grants before applying for a state loan.

Although the first-use requirements attached to loans from the capitalization grants pose problems, once the money revolves through the state loan program, states may set their own requirements. □

States Receiving Federal SRF Funds

The U.S. Environmental Protection Agency awarded 12 grants in 1988 to help states set up revolving loan funds and expects to issue 30 more by spring. The 12 states to receive the first grants from the new federal assistance program for wastewater treatment were:

- Connecticut — $28.2 million;
- Virginia — $39.9 million;
- Georgia — $27.9 million;
- Tennessee — $8.3 million and $16.5 million;
- Louisiana — $10 million;
- New Mexico — $5 million;
- Texas — $105.2 million;
- Utah — $5.1 million;
- New Jersey — $70.4 million;
- South Carolina — $26 million;
- Nebraska — $4.8 million, and;
- Arkansas — $10 million.

Kim Beury is the Washington correspondent for **American City & County.**

MUNICIPAL COST INDEXES

The **Municipal Cost Index** rose 0.1 percent in the most recently available reporting period over the previous month's figure to 116.3. The last time the index registered a decline was March 1988. Also rising 0.1 percent was the **Producer Price Index**, which was 108.2. The index experiencing the most gain was the **Consumer Price Index**, rising 0.3 percent, while the **Construction Cost Index** remained steady at 118.9.

MOST RECENT MARKETBASKET

	Current Index	Percent Change From: Most Recent Month	Last Year
Air Conditioners	114.4	0	4.4
Apparel	112.4	0	3.4
Asphalt Roofing	97.8	1.6	3.6
Ball Bearings	118.2	0.4	9.3
Coal	95.6	−0.1	−0.4
Communication Devices	102.9	0.3	0.2
Concrete Products	109.9	0	0.5
Construction Machinery	112.3	0	2.7
Diesel Fuel	42.6	−9.0	−28.8
Electric Components	118.0	−0.1	2.3
Electric Power	112.7	−3.8	2.1
Floor Coverings	116.3	0.4	3.8
Fuel Oil No. 2	41.8	−7.5	−29.3
Foundry Products	111.1	0.5	4.6
Furniture	118.7	0.6	4.5
Gasoline	56.1	−2.4	−6.7
Generator Sets	124.3	1.3	6.5
Glass	110.4	−0.3	1.9
Glass Containers	112.0	−0.1	−0.6
Gypsum Products	113.7	2.7	−5.1
Hardware	115.5	1.1	4.9
Heating Equipment	120.6	0.5	4.2
Industrial Chemicals	112.0	1.6	15.7
I.C. Engines	112.3	0.1	2.7
Iron	82.8	0	0.1
LP Gas	47.6	−2.5	−19.2
Lumber	127.8	−0.6	−1.5
Metal Fabrications	116.9	0.3	9.3
Mixed Fertilizers	105.4	0.9	5.7
Motor Vehicle Parts	107.8	0.1	1.5
Natural Gas	78.8	4.6	1.2
Office Machines	107.8	0.2	2.1
Paint	118.0	0.5	7.3
Paper	127.0	1.3	11.8
Passenger Cars	117.3	7.5	0
Petroleum	39.4	−7.7	−30.8
Plastics	139.8	0.6	19.7
Plumbing Fixtures	131.7	0.5	8.9
Plywood	102.9	−3.1	−1.6
Portland Cement	102.4	−0.2	−0.2
Pumps	110.4	0.4	4.7
Residual Fuel	38.8	−4.0	−25.1
Rubber	110.5	−1.5	6.0
Sand, Gravel	121.0	0	1.9
Sanitary Papers	117.5	0.3	7.0
Soaps, Detergents	116.6	0.3	5.5
Sporting Goods	106.2	−0.5	3.0
Steel Mill Products	112.6	0.4	6.8
Switchgear	114.3	0.9	3.5
Synthetic Fibers	98.7	0	6.4
Tires, Tubes	95.0	0.1	4.3
Tools, Dies	111.7	0.1	1.9
Transformers	108.6	0	1.7
Transmissions	117.3	0.3	4.4
Trucks	117.2	7.4	6.4
Valves	115.5	0.2	5.9
Wire, Cable	132.3	3.2	19.1
Wiring Devices	126.0	0.6	5.1

As winter began, heating equipment rose 0.5 percent to 120.6, while air conditioners saw no gain over the previous month. Coal dropped 0.1 percent, while petroleum dropped to 39.4.

—Compiled by Tim Darnell

At-A-Glance Changes

MUNICIPAL COST INDEX

Last Year 117.9 — Previous Month 116.2 — Most Recent 116.3

Percent Change By: Month **0.1** Year **−1.4**

CONSTRUCTION COST INDEX

Last Year 129.6 — Previous Month 118.9 — Most Recent 118.9

Percent Change By: Month **0** Year **−8.3**

CONSUMER PRICE INDEX (BLS)

Last Year 115.7 — Previous Month 119.8 — Most Recent 120.2

Percent Change By: Month **0.3** Year **3.9**

PRODUCER PRICE INDEX (BLS)

Last Year 104.0 — Previous Month 108.1 — Most Recent 108.2

Percent Change By: Month **0.1** Year **4.0**

These figures are calculated on a base year of 1982.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	698.4	2.3	10.0
Federal Grants	109.4	−1.6	5.1
Durable Purchases	30.0	2.4	6.4
Consumables	48.0	5.0	27.7
Services	444.6	3.4	14.8
Structures	66.4	2.5	2.8
Salaries, Wages	347.8	2.8	12.2
Surplus	56.2	0.1	5.4
Employment	14.547M	0.9	3.9